



Department of Justice

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JUSTICE DEPARTMENT REQUIRES DIVESTITURES IN UNITEDHEALTH GROUP'S ACQUISITION OF PACIFICARE HEALTH SYSTEMS

Divestitures in Arizona and Colorado, and Changes to Blue Shield of California Agreement, Preserve Competition for Commercial Health Insurance

WASHINGTON, D.C. – The Department of Justice announced today that it will require UnitedHealth Group Inc. and PacifiCare Health Systems Inc. to divest portions of PacifiCare's commercial health insurance business in Tucson, Arizona and Boulder, Colorado in order to proceed with their merger. The Department will also require United to modify and, after one year, terminate its network access agreement with Blue Shield of California. The Department said that the deal as originally proposed likely would have resulted in higher prices and lower quality commercial health insurance plans.

The Department's Antitrust Division filed a civil lawsuit today in U.S. District Court in Washington, D.C. to block the proposed transaction. At the same time, the Department filed a proposed consent decree that, if approved by the court, would resolve the Department's competitive concerns and the lawsuit.

"We are committed to preserving competition among health insurance companies, both in their sale of health plans to consumers and in their purchase of physician and other health care provider services," said Thomas O. Barnett, Acting Assistant Attorney General in charge of the Department's Antitrust Division. "Health insurance benefits are a significant expense for small

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employers in this country. These divestitures ensure that small employers and health plan members will continue to benefit from competition among commercial health insurers.”

According to the complaint, United and PacifiCare are two of the three largest health plans in Tucson selling commercial health insurance to small-group employers, those with between two and 50 employees. Without the divestitures, the transaction would eliminate competition between them and likely would enable United to raise prices and reduce the quality of commercial health insurance plans to small-group employers in Tucson. Under the proposed consent decree United must divest all of PacifiCare’s small-group business in the Tucson area to a purchaser that will remain a viable competitor in the market.

Also, according to the complaint, the acquisition as originally proposed would have given United the ability to lower the reimbursement rates of physicians in the Tucson and Boulder areas. This likely would have resulted in a reduction in the quantity or quality of physician services provided to patients. To address those concerns, the proposed consent decree requires United to divest a percentage of PacifiCare’s membership in those markets to a viable competitor.

Finally, according to the complaint, for the past five years United has rented the provider network of CareTrust Networks, a wholly owned subsidiary of Blue Shield of California. Under the network access agreement governing that relationship, United has access to certain Blue Shield information and the ability to confer with Blue Shield about United’s product development in California. PacifiCare and Blue Shield of California are among each other’s principal competitors, both for the sale of commercial health insurance and for the purchase of physician and hospital services. After United’s acquisition of PacifiCare’s business in California, United will be a principal competitor to Blue Shield. Continuing this close

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relationship after the merger would give United and Blue Shield opportunities and incentives to coordinate their competitive activities and could reduce competition between them. Therefore, the proposed consent decree prohibits United from continuing to exchange certain information with Blue Shield and requires United to terminate its rental agreement with Blue Shield within one year.

United is one of the nation's largest health insurers, providing health and wellness insurance and other services to more than 55 million people nationwide. United's 2004 revenues were more than \$37 billion.

PacifiCare has approximately 13 million health insurance members in Arizona, California, Colorado, Nevada, Oklahoma, Oregon, Texas, and Washington. Its 2004 revenues were \$12.2 billion.

As required by the Tunney Act, the proposed settlement and the Department's competitive impact statement will be published in the Federal Register. Any person may submit written comments concerning the proposed settlement during a 60-day comment period to Mark J. Botti, Chief, Litigation I Section, Antitrust Division, U.S. Department of Justice, 1401 H Street, N.W., Suite 4000, Washington, D.C. 20530 (202-307-0001). At the conclusion of the 60-day comment period, the court may enter the proposed consent decree upon a finding that it serves the public interest.

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